

Office of Personnel Management

§ 591.207

§ 591.204 Who can receive COLAs and post differentials?

(a) Agencies pay COLAs and post differentials authorized under this subpart to civilian Federal employees whose rates of basic pay are fixed by statute. The following pay plans are covered by this subpart:

- (1) General Schedule,
- (2) Veterans Health Administration (Department of Veterans Affairs),
- (3) Foreign Service (including the Senior Foreign Service),
- (4) Postal Service (where applicable under title 39, United States Code),
- (5) Administrative law judges paid under 5 U.S.C. 5372,
- (6) Senior Executive Service (including the Federal Bureau of Investigation and Drug Enforcement Administration Senior Executive Service),
- (7) Senior-level and scientific or professional positions paid under 5 U.S.C. 5376, and
- (8) Administrative appeals judges paid under 5 U.S.C. 5372b.

(b) At its sole discretion and consistent with the intent of 5 U.S.C. 5941, an agency may apply this subpart to other positions authorized by specific law.

(c) Agencies pay COLAs to employees covered by paragraphs (a) or (b) of this section and whose official worksite is in a COLA area as defined in § 591.207.

(d) Agencies pay post differentials to employees covered by paragraphs (a) or (b) of this section whose official worksite or detail to temporary duty is in a post differential area as defined in § 591.231 and who are eligible to receive a post differential under § 591.233.

§ 591.205 Which areas are nonforeign areas?

(a) The nonforeign areas are States, commonwealths, territories, and possessions of the United States outside the 48 contiguous United States and any additional areas the Secretary of State designates as being within the scope of Part II of Executive Order 10000, as amended.

(b) The following areas are nonforeign areas:

- (1) State of Alaska;
- (2) State of Hawaii;
- (3) American Samoa (including the island of Tutuila, the Manua Islands,

and all other islands of the Samoa group east of longitude 171 degrees west of Greenwich, together with Swains Island);

- (4) Commonwealth of Puerto Rico;
- (5) Commonwealth of the Northern Mariana Islands;
- (6) Howland, Baker, and Jarvis Islands;
- (7) Johnston Atoll;
- (8) Kingman Reef;
- (9) Midway Atoll;
- (10) Navassaa Island;
- (11) Palmyra Atoll;
- (12) Territory of Guam;
- (13) United States Virgin Islands;
- (14) Wake Atoll;
- (15) Any small guano islands, rocks, or keys that, in pursuance of action taken under the Act of Congress, August 18, 1856, are considered as pertaining to the United States; and
- (16) Any other islands outside of the contiguous 48 states to which the U.S. Government reserves claim.

COST-OF-LIVING ALLOWANCES

§ 591.206 How does OPM establish COLA areas?

(a) OPM designates, within nonforeign areas, areas where agencies pay employees a COLA by virtue of living costs that are substantially higher than those in the Washington, DC, area. In establishing the boundaries of COLA areas, OPM considers—

- (1) The existence of a well-defined economic community,
- (2) The availability of consumer goods and services,
- (3) The concentration of Federal employees covered by this subpart, and
- (4) Unique circumstances related to a specific location.

(b) If a department or agency wants OPM to consider establishing or revising the definition of a COLA area, the head of the department or agency or his or her designee must submit a request in writing to OPM.

§ 591.207 Which areas are COLA areas?

OPM has established the following COLA areas:

- (a) City of Anchorage, AK, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;

- (b) City of Fairbanks, AK, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
- (c) City of Juneau, AK, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;
- (d) Rest of the State of Alaska;
- (e) City and County of Honolulu, HI;
- (f) County of Hawaii, HI;
- (g) County of Kauai, HI;
- (h) County of Maui (including Kalawao County), HI;
- (i) Commonwealth of Puerto Rico;
- (j) Territory of Guam and Commonwealth of the Northern Mariana Islands; and
- (k) U.S. Virgin Islands.

§ 591.208 How does OPM establish COLA rates?

OPM establishes COLA rates based on price differences between the COLA area and the Washington, DC, area, plus an adjustment factor. OPM expresses price differences as indexes.

(a) OPM computes price indexes for various categories of consumer expenditures.

(b) OPM combines the price indexes using Consumer expenditure weights to produce an overall price index for the COLA area.

(c) To combine overall price indexes for COLA areas with multiple survey areas, OPM uses employment weights to combine overall price indexes by survey area for COLA areas. The COLA areas that have multiple survey areas are listed in § 591.215(b).

(d) OPM adds an adjustment factor to the overall price index for the COLA area.

§ 591.209 What is a price index?

(a) The price index is the COLA area price divided by the DC area price and multiplied by 100.

(b) Example:
COLA Area Average Price for Item A = \$1.233
DC Area Average Price for Item A = \$1.164

Computation:
 $\$1.233/\$1.164 = 1.0592783$
 $1.0592783 \times 100 = 105.92783$.

(c) In the case of the final index, OPM rounds the index to two decimal places.

§ 591.210 What are weights?

(a) A weight is the relative importance or share of a subpart of a group compared with the total for the group. A weight is frequently expressed as a percentage. For example, in a pie chart, each wedge has a percentage that represents its relative importance or the size of the wedge compared with the whole pie.

(b) OPM uses two kinds of weights: Consumer expenditure weights and employment weights.

(1) *Consumer expenditure weights.* The consumer expenditure weight for a category of expenditures (e.g., Food) is the relative importance or share (often expressed as a percentage) of that category in terms of total consumer expenditures. OPM derives consumer expenditure weights from the tabulated results of the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (CES).

(2) *Employment weights.* The employment weight is the relative employment population of the survey area compared with the employment population of the COLA area as a whole. OPM uses the number of General Schedule employees in the survey area to compute employment weights. OPM uses these employment weights as described in § 591.216(b).

§ 591.211 What are the categories of consumer expenditures?

OPM uses three different types of categories: Major expenditure groups, primary expenditure groups, and detailed expenditure categories.

(a) *Major expenditure groups.* OPM groups expenditures into nine major expenditure groups (MEGs). These categories are food, shelter and utilities, clothing, transportation, household furnishings and supplies, medical, education and communication, recreation, and miscellaneous.

(b) *Primary expenditure groups.* OPM subdivides each MEG into primary expenditure groups (PEGs). There are approximately 40 PEGs.

(c) *Detailed expenditure categories.* OPM further subdivides each PEG into other categories down to the detailed expenditure categories (DECs), which are generally equivalent to the most